

DEPARTMENT OF GENERAL SERVICES

Lease Agreement

Requested Action: Approval of award and lease agreement

Location: Hamilton County – 1301 Riverfront Parkway, Chattanooga, TN - Trans. No. 13-01-951 (Flener)

Purpose: To provide leased office space for 245+/- staff moving out of the Chattanooga State Office Building and James R. Mapp Building

Term: 15 years - April 1, 2014 – March 31, 2029 (estimated pending build-out completion)

Proposed Amount: 48,407 Rentable SF:

First Year Rent:	\$ 513,114.20	@10.60/sf
Average Annual Rent Cost includes:	852,253.64	@17.61/sf
Utilities & Janitorial Services		
***Average Annual Total Cost:	\$ 853,700.00	@17.64/sf
***Includes \$4,314 average annual utility cost above average annual rent in years 11-15		

Current Amount: Chattanooga State Office Building

147,269 Rentable SF

FY 2012 Operating and Maintenance Costs	\$1,394,302.00	@9.47/sf
Current Est. Deferred Maintenance Cost	859,225.00	@5.83/sf
Total Est. First Year Costs	2,253,527.00	@15.30/sf
Estimated 15 year Average Annual Cost	\$2,921,816.96	@19.84/sf

James R. Mapp Building

75,445 Rentable SF

FY 2012 Operating and Maintenance Costs	\$749,847.00	@9.94/sf
Current Est. Deferred Maintenance Cost	460,613.00	@6.11/sf
Total Est. First Year Costs	1,210,460.00	@16.05/sf
Estimated 15 year Average Annual Cost	\$1,623,576.40	@21.52/sf

Type: New lease- advertised- qualifications based

FRF Rate: \$18.00

Source of Funding: FRF Operating Funds

Lessor: Beltline at Howell Mill, LLC

Comment: This lease was procured using a qualification based RFP that takes into account both Qualitative and Cost factors. The Qualitative & Cost factors were weighted 40 percent and 60 percent, respectively.

The State has the right to terminate at any time without payment of a termination fee for (i) lack of funding for Tenant's obligations or (ii) termination of operations or programs because of a loss of funding. The State has a right to terminate with payment of a termination fee for (i) convenience after the 10th lease year; (ii) the availability of State owned space after the 10th lease year; or (iii) the consolidation of operations or programs due to loss of funding at any time. The termination fee is equal to the unamortized value of (i) the tenant build out, moving and architectural allowances and (ii) the lease commissions paid by the landlord in connection with the lease, plus (iii) an amount equal to unamortized difference in the Monthly Rental Installments rent during Lease years 1 and 2 versus Lease year 3. Holdover is at 100% of the base rent for a holdover term of one year with a 90 day notice of cancellation by the lessor or the State.

Jones Lang LaSalle commission amount is \$417,684 and the rebate to the State is \$45,153.

Previous Action: 04/22/2013 ESC Subcommittee deferred request to a special called meeting.
04/25/2013 ESC Approved Department's lease RFP utilizing qualifications based selection for Memphis, Nashville, Chattanooga and Knoxville

Minutes: 09/06/2013 ESC Comptroller Wilson began the discussion stating that his questions were related to the process and not necessarily to the leases. He asked Mr. Heimbach, with regards to the pilot project, what their experience was with this process, and what did a qualitative based lease mean. Mr. Heimbach responded that a qualitative lease takes factors into account such as square footage of floor area, location, proximity of space, previous service ability of landlord in a weighting basis compared to the cost of the lease. Comptroller Wilson asked if this was consistent with other proposal-based procurements, and was told "yes". Comptroller Wilson also asked if this was consistent with the terms of JLL's contract with the State to which Mr. Heimbach read the provision of JLL's contract that describes their responsibility to negotiate lease terms and obtain the best lease possible for the State. Comptroller Wilson asked Mr. Heimbach if their experience with this process was successful and if they would like to consider it in the future. Mr. Heimbach stated that they get better space for similar rates, but it is a more in-depth procurement that requires more commitment of time and resources. Additionally, they would like to work with staff to see when it is appropriate to use this process. Comptroller Wilson asked if the compensation of JLL was consistent with the contract, and was told "yes, with the contract and the market". In response to the Comptroller's question regarding commissions paid to JLL, Mr. Heimbach responded that the FRF rate is \$18 per square foot, and the maximum commission that JLL can receive is 4%; that the commission on these leases fell below this rate calculation. Comptroller Wilson asked if they had made the business decision to negotiate this lease since it was cheaper not to have termination for convenience provisions for the State on long term basis. Mr. Heimbach responded "yes", that termination fees are based on unamortized

upfront costs that the landlord has to bear. Comptroller Wilson asked if there were other non-standard lease provisions outside of what is normally done for the State. Mr. Heimbach stated that the procured change put an allowance in the lease; a tenant build-out cost. He said the lease was aligned with more standard commercial transactions with the space tailored more to the State's needs and a State procured design given to the landlord that will handle the construction under that allowance as part of the lease term. Treasurer Lillard voiced concern regarding lease termination fees and the loss of federal funding. He wanted to make sure that it was economical if federal funding was lost, and was told loss of federal funding will be covered under the terms of the leases. A motion was made, properly seconded, and passed without objection to approve the lease agreement and award to Beltline at Howell Mill, LLC.

DEPARTMENT OF GENERAL SERVICES

Lease Agreement

Requested Action: **Approval of award and lease agreement**

Location: Hamilton County – 5600 Brainerd Rd., Chattanooga, TN - Trans. No. 13-09-901 (Flener)

Purpose: To provide leased office space for 425 +/- staff moving out of the Chattanooga State Office Building and James R. Mapp Building

Term: 15 years - April 1, 2014 – March 31, 2019 (estimated pending build-out completion)

Proposed Amount: **81,267 Rentable SF:**

First Year Rent:	\$1,357,971.57	@16.71/sf
First Year Utility Cost:	97,520.16	@1.20/sf
Total First Year Cost:	<u>1,455,491.73</u>	<u>@17.91</u>
Average Annual Rent Cost includes:	1,565,597.90	@19.26/sf
Janitorial Services		
Average Annual Utility Cost:	112,430.45	@1.39/sf
Average Annual Total Cost:	<u>\$1,678,028.00</u>	<u>@20.65/sf</u>

Current Amount: Chattanooga State Office Building

147,269 Rentable SF

FY 2012 Operating and Maintenance Costs	\$1,394,302.00	@9.47/sf
Current Est. Deferred Maintenance Cost	859,225.00	@5.83/sf
Total Est. First Year Costs	<u>2,253,527.00</u>	<u>@15.30/sf</u>
Estimated 15 year Average Annual Cost	\$2,921,816.96	@19.84/sf

James R. Mapp Building

75,445 Rentable SF

FY 2012 Operating and Maintenance Costs	\$749,847.00	@9.94/sf
Current Est. Deferred Maintenance Cost	460,613.00	@6.11/sf
Total Est. First Year Costs	<u>1,210,460.00</u>	<u>@16.05/sf</u>
Estimated 15 year Average Annual Cost	\$1,623,576.40	@21.52/sf

Type: New lease- advertised- qualifications based

FRF Rate: \$18.00

Source of Funding: FRF Operating Funds

Lessor: East Nooga, LLC

Comment: This lease was procured using a qualification based RFP that takes into account both Qualitative and Cost factors. The Qualitative & Cost factors were weighted 40 percent and 60 percent, respectively.

The State has the right to terminate the lease with payment of a termination fee for (i) convenience after the 10th lease year and (ii) for loss or lack of funding at any time. The termination fee is equal to the unamortized value of (i) the tenant build out, moving and architectural allowances and (ii) the lease commissions paid by the landlord in connection with the lease. Holdover is at 110% of the base rent for a holdover term of one year with a 90 day notice of cancellation by the lessor or the State.

Jones Lang LaSalle commission amount is \$767,066, and the rebate to the State is \$110,913.

Previous Action: 04/22/2013 ESC Subcommittee deferred request to a special called meeting.
04/25/2013 ESC Approved Department's lease RFP utilizing qualifications based selection for Memphis, Nashville, Chattanooga and Knoxville.

Minutes: 09/06/2013 ESC Comptroller Wilson asked how the utilities will be handled, and Mr. Heimbach responded that they would be costed for the first year and increased at an agreed upon rate. The Comptroller asked if this was consistent with commercial transactions and were procedures in place to look at energy uses, and was told "yes". A motion was made, properly seconded, and passed without objection to approve the lease agreement and award to East Nooga, LLC.

DEPARTMENT OF GENERAL SERVICES

Lease Agreement

Requested Action: Approval of award and lease agreement

Location: Shelby County – One Commerce Square, 40 South Main St., Memphis, TN - Trans. No. 13-01-952 (Flener)

Purpose: To provide leased office space for 479+/- staff moving out of the Donnelly J. Hill Building

Term: 15 years - April 1, 2014 – June 30, 2029 (estimated pending build-out completion)

Proposed Amount: 104,673 Rentable SF:

*First Year Rent:	\$1,322,805.06	@12.64/sf
Average Annual Rent Cost Includes:	1,921,435.93	@18.36/sf
Utilities & Janitorial Services		
Average Annual Total Cost:	\$1,921,435.93	@18.36/sf
*Includes 3 months' rent abatement		

Current Amount: Donnelly J. Hill Building

121,505 Rentable SF

FY 2012 Operating and Maintenance Costs	\$1,610,564.00	@13.26/sf
Current Est. Deferred Maintenance Cost	1,530,916.00	@12.60/sf
Total Est. First Year Costs	3,141,480.00	@25.86/sf
Estimated 15 year Average Annual Cost	\$3,342,602.55	@27.51/sf

Type: New lease- advertised – qualifications based

FRF Rate: \$18.00

Source of Funding: FRF Operating Funds

Lessor: Memphis Commerce Square Partners, LLC

Comment: This lease was procured using a qualification based RFP that takes into account both Qualitative and Cost factors. The Qualitative & Cost factors were weighted 40 percent and 60 percent, respectively.

The lease contains (i) a termination option for loss or lack of funding and (ii) a termination option for convenience after the 10th lease year. Each termination option may be exercised with the payment of a termination fee. The termination fee is equal to the unamortized value of (i) the tenant build out, moving and architectural allowances and (ii) the lease commissions paid by the landlord in connection with the lease plus (a) any rent due prior to the effective date of the lease, plus (b) an amount equal to the sum of the rent abated. State has the option of a 3 month extension with four months notice. After

the termination date, the, holdover is at 125% for the first six months and 150% for perpetuity.

Jones Lang LaSalle commission amount is \$953,519, and the rebate to the State is \$148,204.

Previous Action: 04/22/2013 ESC Subcommittee deferred request to a special called meeting.
04/25/2013 ESC Approved Department's lease RFP utilizing qualifications based selection for Memphis, Nashville, Chattanooga and Knoxville

Minutes: 09/06/2013 ESC Comptroller Wilson stated that the State has a history of holding over leases and asked what the procedure will be to prevent these fees in the future. Mr. Heimbach responded that they were addressing the issue and plan to work with SBC Staff to establish policies and procedures that address timelines. Secretary Hargett asked if the cost of moving would be priced in analyzing a lease, and Mr. Heimbach responded that those costs could be analyzed as a part of the analysis. Secretary Hargett asked if there was parking for 500 people, and was told "yes". A motion was made, properly seconded, and passed without objection to approve the lease agreement and award to Memphis Commerce Square Partners, LLC.

DEPARTMENT OF GENERAL SERVICES

Lease Agreement

Requested Action: Approval of award and lease agreement

Location: Davidson County – 200 Athens Way, Nashville, TN - Trans. No. 13-01-950 (Flener)

Purpose: To provide leased office space for 301+/- staff moving out of the Cordell Hull Building.

Term: 15 years - April 1, 2014 – March 31, 2029 (estimated pending build-out completion)

Proposed Amount: 64,571 Rentable SF:

*First Year Rent:	\$ 914,755.83	@14.17/sf
Average Annual Rent Cost Includes:	1,253,351.81	@19.41/sf
Utilities & Janitorial Services		
Average Annual Total Cost:	\$1,253,351.81	@19.41/sf
*Includes 3 months' rent abatement		

Current Amount: Cordell Hull/Central Services Building

377,919 Rentable SF:

FY 2012 Operating and Maintenance Costs	\$3,249,078.00	@8.60/sf
Current Est. Deferred Maintenance Cost	3,120,899.00	@8.26/sf
Total Est. First Year Costs	6,369,977.00	@16.86/sf
Estimated 15 year Average Annual Cost	\$7,679,314.08	@20.32/sf

Type: New lease- advertised – qualifications based

FRF Rate: \$18.00

Source of Funding: FRF Operating Funds

Lessor: IPC MetroCenter, LLC

Comment: This lease was procured using a qualification based RFP that takes into account both Qualitative and Cost factors. The Qualitative & Cost factors were weighted 40 percent and 60 percent, respectively.

The lease contains a termination option for loss or lack of funding at any time without penalty. It also includes a termination option for convenience after the 10th year of the lease with a termination fee. The termination fee is equal to the unamortized value of (i) the tenant build out, moving and architectural allowances and (ii) the lease commissions paid by the landlord in connection with the lease. Holdover is at 100% and extended monthly. The holdover can be terminated by the lessor or the State with 90 day notice.

Jones Lang LaSalle commission amount is \$560,419, and the rebate to the State is \$69,584.

Previous Action: 04/22/2013 ESC Subcommittee deferred request to a special called meeting.
04/25/2013 ESC Approved Department's lease RFP utilizing qualifications based selection for Memphis, Nashville, Chattanooga and Knoxville

Minutes: 09/06/2013 ESC Approved a lease agreement and award to IPC MetroCenter, LLC

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There being no further business, the meeting adjourned.

DEPARTMENT OF GENERAL SERVICES

Lease Agreement

Requested Action:	Approval of award and lease agreement		
Location:	Knox County – 520 W. Summit Hill Dr., Knoxville, TN – Trans. No 13-05-923		
Purpose:	To provide leased office space for 180 staff moving out of the Henley Street State Office Building, Lakeshore Mental Health Campus, and 1525 University Ave.		
Term:	15 years – April 1, 2014 – March 31, 2029 (estimated pending build-out completion)		
Proposed Amount:	<u>52,805 Office Space Rentable SF (rsf) & 3,000 Storage Space (rsf)</u>		
	First Year Rent:	\$528,050.00	@\$10.00/rsf
	First Year Storage:	24,000.00	@\$ 8.00/rsf
	First Year Parking: 138 parking spaces	<u>91,080.00</u>	<u>@\$55.00/each per mo</u>
	Total First Year Cost (55,805 rsf):	643,130.00	@11.52/rsf
	Average Annual Rent Cost includes:		
	Utilities & Janitorial Services		
	Average Annual Rent Cost:	\$772,361.13	@\$14.63/rsf
	Average Annual Storage:	27,150.00	@\$ 9.05/rsf
	Average Annual Parking: 138 parking spaces	<u>91,080.00</u>	<u>@\$55.00/each per mo</u>
	Total Average Annual Cost (55,805 rsf):	890,591.13	@\$15.96/rsf
Current Square Feet & Cost of Occupancy:	<u>7,900 Rentable SF (Leased):</u>		
	1525 University Avenue		
	Average Annual Rent Cost includes: Utilities & Janitorial Services		
		\$119,685.00	@\$15.15/rsf
	<u>19,318 Rentable SF (State Owned):</u>		
	Henley St. State Office Bldg.	* 200,907.00	@10.40/rsf
	<u>28,000 Rentable SF (State Owned):</u>		
	Lakeshore Mental Health Campus	** 228,329.00	@8.15/rsf
	Total Average Annual Cost (55,218 rsf):	548,921.00	@ \$9.94/rsf
	* Cost of State owned rentable sf is based on actual operating costs		
	** Cost of State owned rentable sf is based on existing interagency agreement between MH/SA & DIDD		
Type:	New lease – Qualifications based		
FRF Rate:	\$18.00 – Office Space \$6.50 – Warehouse Space		
Source of Funding:	FRF Operating Funds		
Lessor:	FL Summit Hill, LLC		

Department of General Services – continued:

Comment: The leased space is to accommodate agencies that will be displaced by the sale of Henley Street State Office Building, the conveyance of the Lakeshore Mental Health Campus to the City of Knoxville and the transfer of a lease premises at 1525 University Avenue to University of Tennessee for purchase. Affected agencies are as follows:

Agency

Department of Intellectual & Developmental Disabilities
Labor & Workforce Development
Department of Health Services
Department of Mental Health

The lease was procured using a qualification based RFP that takes into account both Qualitative and Cost factors. The Qualitative and Cost factors were weighted 40 percent and 60 percent respectively.

The State has the right to terminate the lease with payment of a termination fee for (i) convenience after the 10th lease year and at any time during the term (ii) for termination or consolidation of Tenant's operations or programs housed in the Leased Premises because of loss of funding (iii) lack of funding by the appropriate Legislative Body for obligations required of Tenant under this Lease (iv) the availability of space in Tenant owned property after one year

Holdover is at the then current rate. Lease shall automatically extend for successive periods of one (1) year each, with each party having the right to terminate with 90 days written notice.

Additional temporary parking for 60 spaces for 12 months will be secured by license agreement until completion of connecting parking garage, now under construction. Additional parking is available per lease totaling 138 spaces.

Jones Lang LaSalle commission amount is \$387,526.23 and the rebate to the State is \$40,628.93.

Previous Action: 04/22/2013 ESC Subcommittee deferred request to a special called meeting
04/25/2013 ESC Approved Department's lease RFP utilizing qualifications based selection for Memphis, Nashville, Chattanooga and Knoxville.
09/06/2013 ESC Approved leases for Memphis, Nashville and Chattanooga.

Minutes: 10/21/2013 ESC Approved lease agreement and award to FL Summit Hill, LLC

Task Authorization Request

Task Order No. 1



JONES LANG
LASALLE

Jones Lang LaSalle Americas, Inc.
Project and Development Services
3344 Peachtree Road NE Suite 1200 Atlanta GA 30326
tel +1 404 995 2422 fax +1 404 995 2191

To Deputy Commissioner Tami Robison

From Kevin M. McDowell

Date April 1, 2013

Subject Request for Task Authorization pursuant to Amendment No. 5 to Jones Lang LaSalle contract Reference: SBC Project No. 460/000-01-2011

Jones Lang LaSalle shall be authorized to proceed with the following tasks in accordance with the scope of services outlined within Amendment No. 5 of the Agreement between The State of Tennessee, Department of General Services and Jones Lang LaSalle Americas, Inc.

Project T3 Phase 2:

Provide services as outlined in subparagraph 2.5.1 Preconstruction Budget and Preliminary Design Services for approximately 70,000 square feet of additional office space in Nashville, TN with an estimated Total Project Budget of \$7,700,000.00.

Total projected fee based on 3.37% of the above referenced Total Project Budget: \$259,490.00

Amount requested per this task order: \$ 38,924.00

Project T4/Decommissioning:

Provide services as outlined in subparagraph 2.5.1 Preconstruction Budget and Preliminary Design Services and 33.33% of services outlined in subparagraph 2.5.2 Preconstruction Design Completion and Construction Prep for the following subprojects:

Memphis

1. Approximately 100,000 square feet of office space in leased facilities
2. Decommissioning of the D.J. Hill building

Nashville

1. Approximately 70,000 square feet of office space in leased facilities
2. Decommissioning and Demolition of the Cordell Hull & Central Services Buildings
3. Decommissioning of the TRA Building

Chattanooga

1. Approximately 155,000 square feet of office space in leased facilities
2. Decommissioning of the Chattanooga State Office Building and the James R. Mapp Building

The Total Project Budget for Project T4/Decommissioning is \$32,700,000.00.

Total projected fee based on 3.37% of the above referenced total project budget: \$1,101,990.00

Amount requested per this task order: \$ 303,048.00

Project T4/Decommissioning (TI Buildout):

Provide services as outlined in subparagraph 2.5.1 Preconstruction Budget and Preliminary Design Services and 33.33% of services outlined in subparagraph 2.5.2 Preconstruction Design Completion and Construction Prep for the following subprojects:

Memphis

1. Approximately 100,000 square feet of office space in leased facilities
2. Decommissioning of the D.J. Hill building

Nashville

1. Approximately 70,000 square feet of office space in leased facilities
2. Decommissioning and Demolition of the Cordell Hull & Central Services Buildings
3. Decommissioning of the TRA Building

Chattanooga

1. Approximately 155,000 square feet of office space in leased facilities
2. Decommissioning of the Chattanooga State Office Building and the Mapp Building

The Total Anticipated Tennant Improvement Costs (by others) is \$9,750,000.00.

Total projected fee based on 3.37% of the above referenced total project budget for services associated with subparagraphs 2.5.1, 2.5.2 & 2.5.4 plus 1% of the Total Project Budget for limited oversight and coordination of Landlord provided services associated with subparagraphs 2.5.3 and 2.5.5: \$213,038.00

Amount requested per this task order: \$ 90,358.00

War Memorial/Legislative Plaza (Associated Project):

Provide limited oversight and coordination services of state appointed resources for the scope of work outlined in subparagraph 2.5.1 Preconstruction Budget and Preliminary Design Services for Mechanical and Electrical systems renovation of the War Memorial and Legislative Plaza buildings with an estimated Total Project Budget of \$39,000,000.00.

Total projected fee based on 1.00% of the above referenced Total Project Budget: \$390,000.00

Amount requested per this task order: \$ 39,000.00

War Memorial/Legislative Plaza (Office Area Renovation):

Provide services as outlined in subparagraph 2.5.1 Preconstruction Budget and Preliminary Design Services for the office area renovation of the War Memorial and Legislative Plaza buildings with an estimated Total Project Budget of \$46,000,000.00.

Total projected fee based on 3.37% of the above referenced Total Project Budget: \$1,550,200.00

Amount requested per this task order: \$ 348,795.00

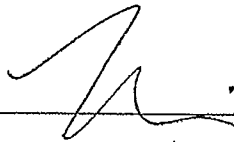
The total amount for Task Orders listed above is \$820,125. Please indicate authorization to proceed with the requested task orders by signature below.

Subject: Task Authorization Request for services associated with Amendment No.5

April 1, 2013

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Approved by: _____

A handwritten signature in black ink, appearing to be a stylized 'M' or 'W' with a dot above it, written over a horizontal line.

Date: _____

5/2/13

The Tennessee Education Lottery Headquarters Lease Situation Analysis

November 29, 2012

Current situation:

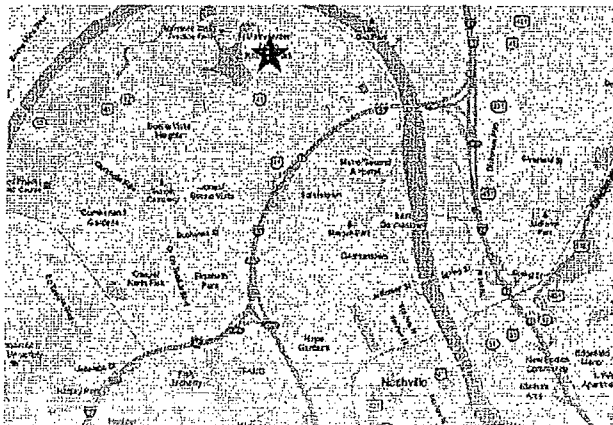
The Tennessee Education Lottery (Lottery) and its two primary contractors occupy 65,056 rentable square feet of office space at 200 Athens Way in the MetroCenter submarket of Nashville, Tennessee. The current lease expires February 28, 2014 and the rental cost during the last twelve months of the lease is \$1,290,414. The Lottery will have occupied this space for ten years at the lease expiration.

The current vacancy rate in MetroCenter among multi-tenant Class A and B office buildings is twelve percent (12%), having nearly doubled in the last year. Further, it is commonly known that the State of Tennessee will cancel about 200,000 square feet of leases in MetroCenter in the next twelve months.

The current landlord, Behringer Harvard, had placed 200 Athens Way on the market for sale but withdrew it once the State made its plan known. The current building has served the Lottery reasonably well during its occupancy. However, the Lottery has repeatedly requested improvements to the temperature control of their space, which the Landlord has not been able to provide.



200 Athens Way



MetroCenter's Location in Nashville

Alternatives:

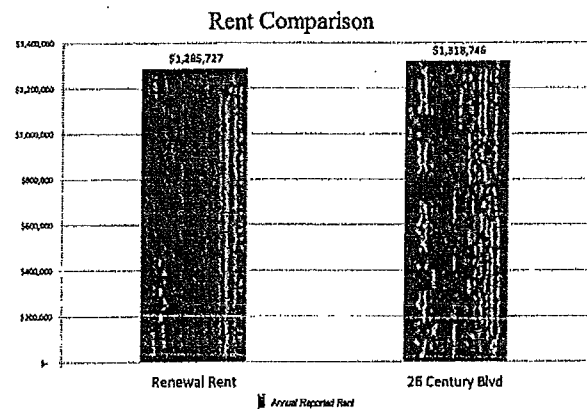
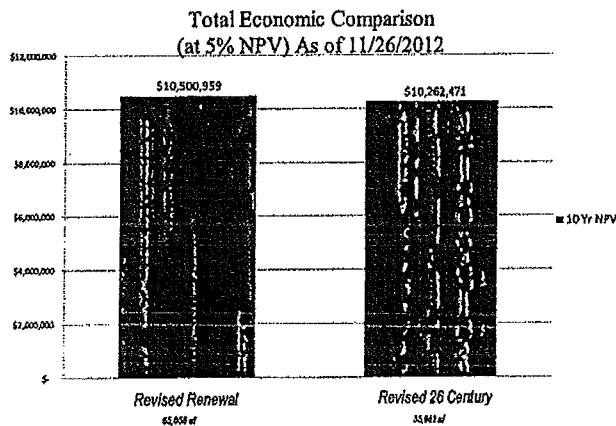
The Lottery desired to solicit a proposal from its current landlord and other potential landlords for its future occupancy. A market survey was created using criteria including proximity to the current workforce, accessibility for the Lottery's clients and winners, security for its employees, and normal amenities.

A Request for Proposal (RFP) was issued to six buildings including the existing landlord. The RFP was also publicly advertised on the Lottery's website. Additionally, the Lottery considered having a single-tenant building built for its use and received seven proposals from build-to-suit developers.

Upon review of the proposals that were received, the focus was narrowed to the renewal at 200 Athens Way and a potential move to One Century Place. Negotiations followed with improvements achieved from both.

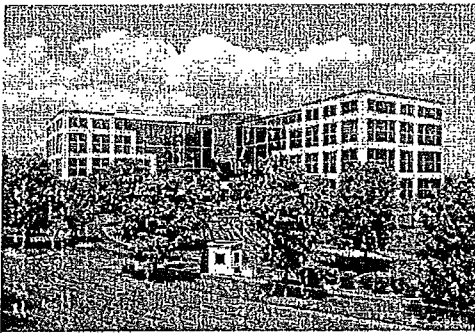
The analysis below contains two important views of the potential transactions. The Total Economic Comparison Chart compares the Net Present Value of all the cash flows related to the two prospective leases. Costs for tenant improvements, moving, operating expenses, and refurbishment have been included. This is the single best measure of the cost of the two proposals. The Rent Comparison depicts the average rent paid over the term of the lease and does not include differences such as tenant improvement allowances.

The Total Economic Comparison of One Century Place is \$239,000 (Net Present Value) less than the cost of the proposed renewal, while the average rent is \$35,000 per year more. Given the scale of the decision, these differences are inconsequential and the decision becomes a qualitative choice between the two alternatives.

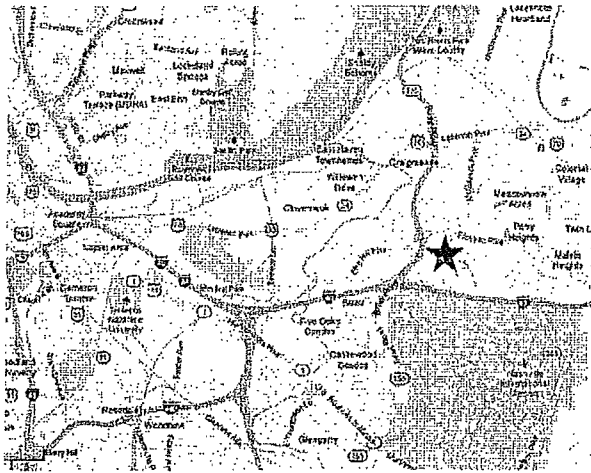


One Century Place

The One Century Place building is located in the airport submarket near the intersection of I-40, Briley Parkway, and Elm Hill Pike. The building was built in 1991 as a headquarters for Willis. It is a Class A building. Other current tenants include TVA, Willis, and Assurion. The building is owned by Wells REIT II, which has owned the building since 2007.



One Century Place



Location in the Airport submarket

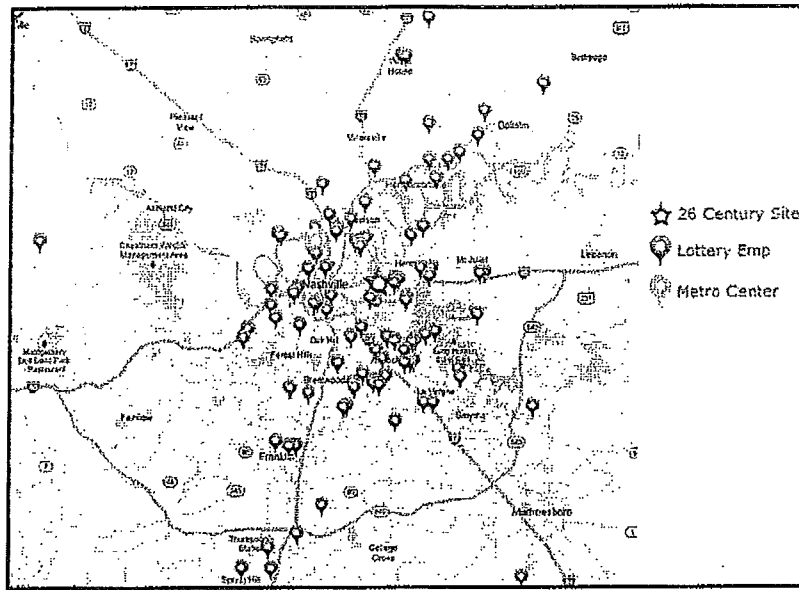
The Lottery's proposed lease at One Century Place contains 55,962 rentable square feet and is a more efficient layout than the current leased premise.

Recommendation:

Given the Lottery's criteria and the inherent differences between the two alternatives, it is recommended that the Lottery finalize a transaction at One Century Place. This recommendation is based on the superior building quality and preferable location of One Century Place.

The building quality is an improvement over the renewal in several respects. It has newer and more efficient mechanical and electrical systems. Its floor plate design enables the Lottery space to be more efficient thus reducing the total square footage required. The Lottery's employees will have covered, secured parking and a cafeteria on site. The other tenants in the building are of similar character to the Lottery including the quasi-governmental entity of the TVA. The building includes a conferencing facility, which the Lottery may utilize for its larger meetings.

The location of One Century Place is superior to 200 Athens Way in several respects as well. It is closer to the centroid of the Lottery's existing employee base as shown below. It is easily accessible from the major highways serving Nashville. It does not have the risk of another flood such as MetroCenter has experienced.



Current Workforce

In addition to these inherent differences between these two alternatives, the opportunity to refresh the Lottery's space and to re-emphasize its culture of efficiency, collaboration, and innovation is much easier and less expensive to accomplish through a move.

In view of these benefits to the Lottery, it is recommended that the Lottery secure a well-negotiated lease at One Century Place.